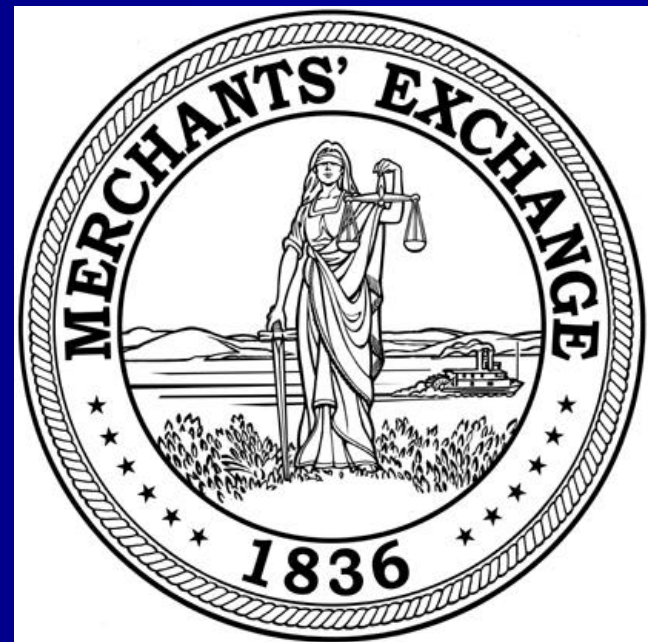


The Merchants' Exchange

Energy Trading Solutions



Benefits of Trading on a Cleared Exchange

- Clearing dramatically diminishes counter-party credit risk through “novation” and mutualization.
- Clearinghouse becomes buyer to every seller and seller to every buyer.
- Risk is also reduced through netting the obligations of buyers and sellers across the market.
- Clearinghouse collects variation margin on a mark-to-market basis.
- Increases reliability of market. / Restores confidence.

Benefits of an Electronic, Cleared, Regulated Exchange

- Protection against trading abuses and manipulation.
- Market transparency and trader anonymity.
- Speed – instantaneous order filling
- Reliability and security.

Why is Merchants' Exchange Unique?

- Unbiased and Independent.
- Time sensitive, secure and easy to use.
"Slippage" is minimized.
- Flexible.
- Confidence in market fairness.

Independent Ownership and Unbiased Governance

- Fully de-mutualized -- no concern about preserving "member opportunity" of floor-trader owners.
- Independent owners do not have a stake in the market. Not a consortium of key market users.
- There is no "edge" for any market participant. It is truly a "level playing field."

Electronic Trading is Immediate, Secure & Easy

- 100% electronic. No trading floor. Opportunities for market manipulation are reduced. Audit trail is excellent.
- Trades are transparent with no human intervention. Order execution is nearly instantaneous.
- The system is easy to use, internet enabled and has an open API.

Fair Exchanges Are Set Up for All Market Participants

- **Open and Competitive Markets:** The Merchants' Exchange rulebook is designed to ensure a level playing field for all market participants, not to preserve advantages for select traders.
- **Market Integrity:** The electronic trading system of the Merchants' Exchange offers additional protection against fraud, manipulation and other abusive practices.
- **Flexibility:** The M.E. rulebook can be quickly modified, as appropriate, and new products can be rapidly brought to market as demand requires.

At Merchants' Exchange Clearing is Arm's-Length

- The relationship between Merchants' Exchange and its clearinghouse is arm's-length. Without any ulterior motives, M.E. just seeks to offer the clearing solution that is optimal for market participants.
- For commercial energy companies, use of a clearinghouse arrangement mitigates the problem of limited credit currently available for new transactions.
- Novation by a clearinghouse simultaneously reduces counterparty credit risk exposure and frees up some corporate balance sheet constraints. It also makes credit evaluation of multiple trading counterparties unnecessary.

Summary of Merchants' Exchange Benefits:

- Relief for the bilateral counterparty credit problem
 - Strong record keeping and reporting
 - Immediate order filling
 - Financial credibility
 - Reliability
 - Security
 - Transparency
- In turn, these improvements lead to improved liquidity in the markets for the benefit of all market constituents.

